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UNCLAS SECTION 01 OF 05 ADDIS ABABA 001958

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DEPARTMENT FOR EB/IFD/OIA: HEATHER GOETHERT
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TAGS: [CASC](#) [EINV](#) [KIDE](#) [OPIC](#) [PGOV](#) [ET](#)

SUBJECT: 2007 REPORT ON INVESTMENT DISPUTES AND EXPROPRIATION
CLAIMS

REF: A. STATE 55422

[B](#). 06 ADDIS ABABA 1592 (NOTAL)

[C](#). 05 ADDIS ABABA 2309 (NOTAL)

[1](#)1. (U) SUMMARY. Post is aware of four (4) claims by U.S. persons which may be outstanding against the Government of Ethiopia. One claim included in the 2006 report has been resolved. There is one new reported claim. (See update to case of Claimant E, and new claim by Claimant H). Post is also aware of two disputes involving the confiscation of property that may involve outstanding claims against the GOE by current U.S. citizens who were not U.S. citizens at the time of the expropriations. Per ref A, Post is also forwarding updates via email to EB/IFD/OIA. END SUMMARY.

[1](#)2. (U) The U.S. Government is aware of four (4) claims by U.S. persons which may be outstanding against the Government of Ethiopia. One claim included in the 2006 report has been resolved. There is one new reported claim. The U.S. Government is also aware of two disputes involving the confiscation of property that may involve outstanding claims against the Government of Ethiopia by current U.S. citizens who were not U.S. citizens at the time of the expropriations. While the Act does not require a report on these claims, we have included the cases of Claimants D and E in this report. These cases stem from the confiscation of property during the communist Derg regime which reigned from 1974 to 1991. There have been no cases of expropriation reported by U.S. citizens under the current government.

[1](#)3. (U) Other cases occurred following the Ethiopian- Eritrean border conflict in May 1998. The Government of Ethiopia deported tens of thousands of persons identified as Eritrean nationals, and in many cases confiscated their assets to pay for outstanding loans. In 2000, Ethiopia and Eritrea agreed to the creation of the Ethiopia-Eritrea Claims Commission to address property claims arising out of the border conflict. The Embassy and the Department of State provide information about the Claims Commission and other assistance to these Claimants, when appropriate. No cases resulting from the Ethiopian-Eritrean border conflict were reported to the Embassy during 2005-2007.

CLAIMANT A

[1](#)4. (U) Update on Pending Claim

a) Claimant A

b) 1987

c) Claimant A entered into an agreement with the Ethiopian Development and Hotels Corporation (EDHC) for the design and construction of an extension to the Addis Ababa Hilton Hotel in

[1](#)1983. Two associated firms were also involved in the agreement.

Although construction was completed and premises were handed over in 1986, due to disagreements over the contract, payment was not rendered to the construction firm until 1996. Payment to Claimant A for design and professional services remain outstanding.

¶5. (U) At Claimant A's request, the U.S. Embassy has contacted the Government of Ethiopia on numerous occasions to request resolution of this outstanding claim. The then-U.S. Ambassador raised this issue in March 2000 with Ethiopia's Tourism Commissioner, a former board member of EDHC. The Commissioner reasserted his willingness to help but neglected to arrange a meeting between Claimant A's local representatives and EDHC officials. The dispute currently remains unresolved. The Embassy continues to monitor this case and has raised it in meetings with government officials. For the past six years, Claimant A has not contacted the Embassy nor requested additional U.S. Government assistance.

¶6. (U) Update: We are not aware of any attempts or requests for further assistance.

CLAIMANT B

¶7. (U) Update on Pending Claim

a) Claimant B

b) 1998

c) Claimant B entered into a contract with Ethiopia's Ministry of National Defense (MOND) in Addis Ababa, Ethiopia, to provide remote sensing and imagery processing services and equipment. The contract was abruptly terminated and Claimant B was not paid for the completed portion of the contract. Payment of approximately USD 230,000 is now almost four years overdue. In addition, Claimant B has incurred significant additional expenses in

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attempting to resolve outstanding issues and obtain final payment.

¶8. (U) The Embassy sent a diplomatic note in July 1999 to the Ministry of Foreign Affairs requesting it to transmit an attached letter to the Chief of Procurement at MOND and to help expedite a resolution to the dispute. Following the issuance of the Embassy's diplomatic note, Claimant B has neither contacted the Embassy nor requested additional U.S. Government assistance.

¶9. (U) Update: We are not aware of any attempts or requests for further assistance.

CLAIMANT C

¶10. (U) Update on Pending Claim

a) Claimant C

b) 2002

c) Claimant C, a U.S.-registered company, bid on a competitive tender to manage a state-owned sugar plantation several hundred kilometers northwest of Addis Ababa. After exhaustive reviews, the tender was awarded to the claimant. A draft management contract was initialed in March 2001, but the final contract was never signed due to delays within the Ethiopian government. On June 11, 2002, the Public Enterprise Supervising Authority of the Ministry of Trade and Industry finally notified the claimant that the tender had been canceled. At the request of the claimant, Embassy officials have repeatedly brought the matter to the attention of the Minister of Trade and Industry and the Prime Minister, starting from July 2001 when it became apparent that the government was delaying finalization of the contract. Claimant is now attempting to recover the bid security (amount not available), but feels that progress is slow or impossible. Last Claimant-initiated contact with Embassy was in October 2002 to update Embassy on attempts to resolve the case. In June 2004, Claimant C privately advised the Embassy it does not intend to actively pursue the case.

¶11. (U) Update: We are not aware of any attempts or requests for

further assistance.

CLAIMANT D

¶12. (U) Update on Pending Claim

a) Claimant D

b) 1992

c) Claimant D was not a U.S. citizen at the time of expropriation by the communist Derg government. The property is a liquor and alcohol factory that supplies alcohol to other factories and retail distributors around Ethiopia. The Ethiopian Privatization Agency (EPA), now the Privatization and Public Enterprises Supervising Authority, determined that the property qualified for compensation or restitution under Proclamation No. 110/1995. A valuation study was subsequently Conducted, and the claimant was offered either compensation or restitution of the property. Following an interruption of the processing of the case due to the Ethiopian-Eritrean border conflict, a subsequent proclamation was passed (No. 193/2000), which precludes restitution of certain properties. Based on this proclamation, the Board of Management of EPA determined that the Claimant was only eligible for compensation. EPA notified the claimant of the offer. Claimant D has refused to accept the compensation claim, insisting that a) restitution should still be offered, and b) the claim does not accurately reflect the value of the property. The compensation claim is valued by EPA at approximately USD 320,000.

¶13. (U) Embassy officers have raised the issue in meetings with the Prime Minister, the General Manager and Deputy General Manager of EPA, the Vice President of the World Bank's Multilateral Investment Guarantee Agency (MIGA), and officials at the Ministry of Foreign Affairs. Embassy officers have also discussed the case on a number of occasions with Claimant D. EPA has provided documentation to Embassy officers on the case, including official correspondence from EPA to Claimant D. This information states the compensation claim offered by EPA as well as the principles on which the valuation was calculated. Embassy officers have also met with MIGA, who confirmed that the valuation of the property was done in accordance with MIGA principles. The Finance Minister has stated in writing his willingness to discuss the valuation figure with the Claimant. Claimant D indicated in May 2005 to Embassy officials that he may be willing to meet with the government to discuss the value of the

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compensation claim. To date, and contrary to long-standing Embassy advice, Claimant D has not sought legal counsel. The Claimant has not contacted the Embassy since 2005. The Embassy continues to monitor this case closely. The case is still pending.

¶14. (U) Update: Our section is not aware of any attempts or requests for further assistance.

CLAIMANT E

¶15. (U) Update on Pending Claim

a) Claimant E

b) 1998

c) Claimant E was not a U.S. citizen at the time of expropriation by the communist Derg government in July 1975. The property is a hotel in Addis Ababa established by the claimant's father in 1962. The Restitution Department of the Ethiopian Privatization Agency (EPA) has completed its valuation of property. As required by Ethiopian law, the EPA valued investments made to the property during the period of expropriation. These investments were valued by EPA at USD 770,000. The Claimant is not satisfied with the valuation and objects to the requirement that he pay the Ethiopian government to receive back his property. Claimant E has requested that the EPA use a different method of valuation. Embassy officials have, over the past three years, discussed the case several times with the Claimant and with EPA and other Ethiopian government officials.

¶16. (U) Update: Despite the Derg's ouster in 1991, the current government of Ethiopia continued to control the property until April 2007. In December 2006, Claimant informed Embassy officials that he had agreed to pay the Government of Ethiopia the USD 770,000 that EPA had decided to charge him, in order to recover title to his hotel. The EPA arrived at the USD 770,000 figure by claiming it had invested an equivalent sum in upgrading the hotel (e.g., purchasing new furniture); when under the control of the current government, the hotel had been operated by the Ministry of Culture and Tourism. According to the Claimant, the hotel was renovated in 1986 and again in 1997, when under the control of the former Communist Derg government and then the current government, respectively. As a condition of recovering title, the Claimant is responsible for maintaining 120 hotel employees hired by the current government, a sharp increase from the 46 original employees working at the hotel when originally operated by the Claimant's father. The Claimant has now recovered title to his hotel, and is seeking financing for further renovations. The Claimant informed the Embassy in June 2007 that he had taken custody of the hotel as of April 1, 2007 (following 7 years of negotiations with the government), and was now operating it by himself. The case has now been resolved.

CLAIMANT F

¶17. (U) Update on Pending Claim

a) Claimant F
b) 2003
c) Claimant F purchased an animal feed processing plant, located in Addis Ababa, from the Ethiopian Privatization Agency (EPA) through a public auction. Claimant F paid approximately USD 240,000 for the property. Under the contract between EPA and Claimant F, all ownership documents were to be transferred to the Claimant. However, when Claimant F requested the title deed transfer from the Addis Ababa City Administration, he was sent a bill for approximately USD 60,000, based on a valuation of the property conducted by the City Administration. The Claimant and the Minister of Trade and Industry have written the City Administration requesting that the title be transferred in accordance with the contract signed with EPA. The City Administration never formally responded. At the Claimant's request, Embassy officials raised the case several times in 2005 with both EPA and the City Administration. The City Administration advised Embassy officials in May 2005 that they were in discussions with the federal government and hoped to reach a settlement shortly. In September 2005, the Addis Ababa City Administration transferred the title to the Claimant in accordance with the contract. The case is resolved.

CLAIMANT G

¶18. (U) Update on Pending Claim

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a) Claimant G
b) 2004.
c) Claimant G was threatened with legal action and potential closure of its operations by Ethiopia's Federal Inland Revenue Authority (FIRA) over alleged non-payment of tax arrears. The property includes two bottling plants located in Addis Ababa and Dire Dawa. The Claimant appealed the tax assessment provided by FIRA by stating that certain production costs should not be subject to excise taxes under Ethiopian law. FIRA informed Claimant G that the appeal period had expired, and that payment on all tax arrears was expected. A payment scheme was offered by FIRA to Claimant G. The Claimant was temporarily denied the right to renew its trade license.

¶19. (U) Claimant G requested U.S. Embassy assistance in February 2005. Following a meeting between Embassy officials and the Claimant, the then-Ambassador wrote a letter dated to the Ministers of Revenue, Trade/ Industry and Finance/Economic Development. In

response, the government formed a committee to investigate the case and propose solutions. In March 2005, Embassy officials were informed by the government that no legal action would be taken against the Claimant until a full investigation was conducted. Claimant G was subsequently granted a temporary renewal of its trade license and was allowed to continue operations. The Claimant informed the Embassy in August 2005 that the Government of Ethiopia had agreed to waive all pre-2003 tax arrears. A final agreement was subsequently negotiated. The case is resolved.

CLAIMANT H

20 (U) New Claim

a) Claimant H

b) 2006

c) Claimant H, who became a U.S. citizen in 1998, originally tried to resolve his claim through a MIGA-GOE agreement, whereby MIGA would facilitate resolution of claims by foreign nationals. Claims by citizens of the United States and Italy were not covered by this agreement, since other bilateral agreements were in place. MIGA was not successful in this case, and the agreement has since expired. The claimant subsequently applied for assistance under a 1985 U.S.-Ethiopian claims agreement. However, he was ineligible, since he was not a U.S. citizen at the time of the expropriation. In 2007, he sought assistance from Embassy officials.

¶21. (U) Contrary to correspondence from the U.S. Department of Justice, the GOE asserts Claimant H is eligible to pursue relief through the U.S. Claims Commission, and claims that the GOE therefore has no further obligations related to the case. Ethiopia's Ministry of Finance and Economic Development (MOFED) claims to have sent a letter regarding this claim to the Embassy's Commercial Attache more than 10 years ago; however, MOFED officials cannot identify the attache, nor can they produce copies of the letter. In September 2006, Embassy officials requested that MOFED provide the Embassy with a copy of the letter mentioned in the Ministry's correspondence. Repeated attempts to contact MOFED officials have failed to produce any additional results, as the individuals tracking this issue have either transferred or are on extended vacations.

¶22. (U) Claimant H has requested that the Embassy send MOFED a letter correcting MOFED's assertion about the 1985 claims commission and requesting that the ministry work with the claimant on a settlement. In May 2007, Embassy officials attempted to contact Claimant H to obtain further information on his previous correspondence with MOFED and on any new developments. However, the Embassy has not been able to contact Claimant H. The Embassy will continue efforts to contact Claimant H and to monitor his claim.

CLAIMANTS' NAMES

¶23. (SBU) Per ref A, claimant information is provided separately below (only Claimant D has signed a Privacy Act Waiver):

Claimant A: Ed Reidel, WBTL Associates; U.S. citizen.

Claimant B: Jim Fry, Earth Satellite Corporation; U.S. citizen.

Claimant C: Schaffer and Associates International, Finchaa Management Contract; U.S.-registered company.

Claimant D: Mr. Berhane Gebremedin, National Alcohol and Liquor

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Factory; Ethiopian citizen at time of expropriation, but now a U.S. citizen. Has signed Privacy Act Waiver limited to family members only.

Claimant E: Mr. Bisrat Seuifu, Hotel d'Afrique; Ethiopian citizen at time of expropriation, but now a U.S. citizen.

Claimant F: Mr. Fasil Tsegaye, Akaki Feed Plant; U.S. citizen at time of dispute. Has registered with Embassy Consular Section but has not/not signed a Privacy Act Waiver.

Claimant G: East Africa Bottling Company S.C. (franchise bottler of Coca Cola, but owned by South African nationals not U.S. citizens).

Claimant H: Mr. Paul Constantinou; not a U.S. citizen at time of expropriation.

YAMAMOTO